

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS

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FINANCIAL STATEMENTS  
(with Independent Auditors' Reports thereon)

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For the Year Ended June 30, 2010

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UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
FINANCIAL STATEMENTS  
Year ended June 30, 2010

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# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas

We have audited the accompanying financial statements as listed in the Table of Contents of Unified School District No. 203, Kansas City, Kansas, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009 and, in our report dated March 8, 2010, we expressed an unqualified opinion on the financial statements in accordance with the cash basis and budget laws of the State of Kansas and an adverse opinion on the financial statements in accordance with generally accepted accounting principles (see Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, Unified School District No. 203, Kansas City, Kansas, prepares its financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 203, Kansas City, Kansas or the changes in its financial position for the year ended June 30, 2010.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 203, Kansas City, Kansas, as of June 30, 2010, and its cash receipts and expenditures, and budgetary comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Unified School District No. 203, Kansas City, Kansas. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the U.S. Department of Homeland Security, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, LLC*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
March 7, 2011

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended June 30, 2010

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General	\$ (1,022,792)	\$ -	\$ 10,424,114	\$ 10,007,316	\$ (605,994)	\$ 67,301	\$ (538,693)
Supplemental general	244,991	-	3,416,743	3,166,394	495,340	-	495,340
Special revenue funds:							
At risk (4 year old)	-	-	-	-	-	-	-
At risk (K-12)	-	-	340,000	233,508	106,492	-	106,492
Bilingual education	-	-	-	-	-	-	-
Capital outlay	1,604,110	-	2,110,376	308,375	3,406,111	50,309	3,456,420
Drivers education	21,045	-	-	-	21,045	-	21,045
Food service	236,989	-	704,225	732,484	208,730	-	208,730
Professional development	55,965	-	-	1,326	54,639	-	54,639
Parent education	-	-	-	-	-	-	-
Summer school	82,061	-	-	100	81,961	-	81,961
Special education	1,014,144	-	1,735,792	1,743,053	1,006,883	-	1,006,883
Vocational education	255,987	-	166,520	288,615	133,892	-	133,892
KPERS retirement contribution	10	-	497,062	497,072	-	-	-
Textbook and student material	-	55	172,253	89,994	82,314	1,923	84,237
Contingency reserve	542,198	-	-	-	542,198	-	542,198
Federal funds	4,067	-	123,387	127,454	-	404	404
Gift and grant	2,000	-	1,501,000	30,000	1,473,000	-	1,473,000
Other grant funds	17,468	-	30,282	24,259	23,491	-	23,491
Gate receipts	(2,703)	-	74,205	66,430	5,072	-	5,072
School projects	8,841	-	23,221	18,371	13,691	-	13,691
Debt service fund:							
Bond and interest	899,339	-	1,796,402	1,603,597	1,092,144	-	1,092,144
Capital project fund:							
Bond construction	9,978,714	72,710	158,084	9,787,171	422,337	-	422,337
Fiduciary type funds:							
Trust funds	113,325	-	2,072	2,625	112,772	-	112,772
Total reporting entity (excluding agency fund)	\$ 14,055,759	\$ 72,765	\$ 23,275,738	\$ 28,728,144	\$ 8,676,118	\$ 119,937	\$ 8,796,055
<b>Composition of cash:</b>							
Checking							\$ 7,241,289
Checking - construction							422,337
Checking - activity accounts							183,970
Scholarship savings							12,772
Money market							1,100,894
Total cash							8,961,262
Less agency funds							(165,207)
Total reporting entity (excluding agency funds)							\$ 8,796,055

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended June 30, 2010

Funds	Certified budget	Adjustment to comply with legal max	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
<b>Governmental type funds:</b>						
General	\$ 10,017,328	\$ (236,417)	\$ 226,405	\$ 10,007,316	\$ 10,007,316	\$ -
Supplemental general	\$ 3,165,494	\$ -	\$ 900	\$ 3,166,394	\$ 3,166,394	\$ -
<b>Special revenue funds:</b>						
At risk (4 year old)	\$ 70,000	\$ -	\$ -	\$ 70,000	\$ -	\$ 70,000
At risk (K-12)	\$ 233,508	\$ -	\$ -	\$ 233,508	\$ 233,508	\$ -
Bilingual education	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ -	\$ 8,000
Capital Outlay	\$ 1,720,000	\$ -	\$ -	\$ 1,720,000	\$ 308,375	\$ 1,411,625
Drivers education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food service	\$ 931,000	\$ -	\$ -	\$ 931,000	\$ 732,484	\$ 198,516
Professional development	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 1,326	\$ 28,674
Parent education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summer school	\$ 51,000	\$ -	\$ -	\$ 51,000	\$ 100	\$ 50,900
Special education	\$ 2,202,500	\$ -	\$ 6,897	\$ 2,209,397	\$ 1,743,053	\$ 466,344
Vocational education	\$ 452,500	\$ -	\$ -	\$ 452,500	\$ 288,615	\$ 163,885
KPERS retirement contribution	\$ 579,324	\$ -	\$ -	\$ 579,324	\$ 497,072	\$ 82,252
Federal funds	\$ 101,586	\$ -	\$ 25,868	\$ 127,454	\$ 127,454	\$ -
<b>Debt service fund:</b>						
Bond and interest	\$ 1,603,599	\$ -	\$ -	\$ 1,603,599	\$ 1,603,597	\$ 2

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GENERAL FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 64,931	\$ 628,533	\$ 1,099,322	\$ (470,789)
Ad valorem property - current taxes	2,283,146	2,451,381	2,685,937	(234,556)
Delinquent	69,837	282,804	117,631	165,173
State aid:				
Equalization aid	4,778,071	5,255,449	4,511,145	744,304
Special education services	1,285,790	1,177,208	1,200,959	(23,751)
Federal aid:				
ARRA stabilization	-	402,334	402,334	-
Reimbursed expenses	224,768	226,405	-	226,405
Total cash receipts	8,706,543	10,424,114	\$10,017,328	\$ 406,786
Expenditures and transfers subject to budget:				
Instruction	5,498,171	4,010,747	\$ 5,438,672	\$ 1,427,925
Student support services	1,930	164,545	367,610	203,065
Instructional support staff	23,815	235,005	328,810	93,805
General administration	252,805	368,659	481,340	112,681
School administration	920,108	733,636	903,850	170,214
Central services	23,014	30,601	-	(30,601)
Operations and maintenance	966,985	1,131,747	1,246,046	114,299
Student transportation services	606,997	649,667	-	(649,667)
Other support services	1,250	3,115	-	(3,115)
Transfers out	1,308,580	2,679,594	1,251,000	(1,428,594)
Adjustment to comply with legal max	-	-	(236,417)	(236,417)
Legal general fund budget	9,603,655	10,007,316	9,780,911	(226,405)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	226,405	226,405
Total expenditures and transfers subject to budget	9,603,655	10,007,316	\$10,007,316	\$ -
Receipts over (under) expenditures	(897,112)	416,798		
Prior year canceled encumbrances	754	-		
Unencumbered cash, beginning of year	(126,434)	(1,022,792)		
Unencumbered cash, end of year	\$ (1,022,792)	\$ (605,994)		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUPPLEMENTAL GENERAL FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 55,318	\$ (277,411)	\$ 2,884	\$ (280,295)
Ad valorem property - current taxes	2,295,786	3,246,502	2,811,136	435,366
Delinquent	50,258	212,592	84,319	128,273
Motor vehicle	217,037	232,820	201,639	31,181
Recreational vehicle	1,244	1,340	955	385
State aid:				
Equalization aid	12,965	-	-	-
Reimbursed expenses	-	900	-	900
Total cash receipts	<u>2,632,608</u>	<u>3,416,743</u>	<u>\$ 3,100,933</u>	<u>\$ 315,810</u>
Expenditures and transfers subject to budget:				
Instruction	37,791	1,293,226	\$ 201,783	\$ (1,091,443)
Student support services	368,057	134,677	32,000	(102,677)
Instructional support staff	336,369	107,351	21,500	(85,851)
General administration	206,686	164,745	-	(164,745)
School administration	-	176,591	-	(176,591)
Central services	197,587	253,853	-	(253,853)
Operations and maintenance	198,063	860,258	904,703	44,445
Student transportation services	-	-	739,000	739,000
Other support services	184,236	124,006	-	(124,006)
Transfers out	1,213,396	51,687	1,266,508	1,214,821
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	2,742,185	3,166,394	3,165,494	(900)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	900	900
Total expenditures and transfers subject to budget	<u>2,742,185</u>	<u>3,166,394</u>	<u>\$ 3,166,394</u>	<u>\$ -</u>
Receipts over (under) expenditures	(109,577)	250,349		
Unencumbered cash, beginning of year	<u>354,568</u>	<u>244,991</u>		
Unencumbered cash, end of year	<u>\$ 244,991</u>	<u>\$ 495,340</u>		

The accompanying notes are an integral  
 part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (4 YEAR OLD) FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Tuition from individuals	\$ -	\$ -	\$ 70,000	\$ (70,000)
Total cash receipts	-	-	<u>\$ 70,000</u>	<u>\$ (70,000)</u>
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ 70,000	\$ 70,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	<u>\$ 70,000</u>	<u>\$ 70,000</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (K-12) FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 41,311	\$ 340,000	\$ 50,000	\$ 290,000
Supplemental general fund	62,040	—	183,508	(183,508)
Total cash receipts	103,351	340,000	\$ 233,508	\$ 106,492
Expenditures and transfers subject to budget:				
Instruction	103,351	233,508	\$ 233,508	\$ —
Adjustment for qualifying budget credits:				
Reimbursements	—	—	—	—
Total expenditures and transfers subject to budget	103,351	233,508	\$ 233,508	\$ —
Receipts over (under) expenditures	—	106,492		
Unencumbered cash, beginning of year	—	—		
Unencumbered cash, end of year	\$ —	\$ 106,492		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BILINGUAL EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
Supplemental general fund	\$ -	\$ -	\$ 8,000	\$ (8,000)
Total cash receipts	-	-	<u>\$ 8,000</u>	<u>\$ (8,000)</u>
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ 8,000	\$ 8,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 CAPITAL OUTLAY FUND  
 Year ended June 30, 2010

	Prior Year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 26,825	\$ 270,695	\$ 470,669	\$ (199,974)
Ad valorem property - current taxes	942,423	1,041,749	1,146,113	(104,364)
Delinquent	29,037	111,082	49,143	61,939
Motor vehicle	119,202	118,354	104,090	14,264
Recreational vehicle	688	670	493	177
Interest on idle funds	71,356	71,955	-	71,955
Miscellaneous	3,329	5	-	5
Transfers in:				
General fund	-	495,866	-	495,866
Total cash receipts	<u>1,192,860</u>	<u>2,110,376</u>	<u>\$ 1,770,508</u>	<u>\$ 339,868</u>
Expenditures and transfers subject to budget:				
Instruction	75,139	44,642	\$ -	\$ (44,642)
Student support services	-	12,925	-	(12,925)
General administration	5,938	-	-	-
Operations and maintenance	217,488	7,960	-	(7,960)
Facilities acquisition and construction	663,963	242,848	1,080,000	837,152
Interest	-	-	640,000	640,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	<u>962,528</u>	<u>308,375</u>	<u>\$ 1,720,000</u>	<u>\$ 1,411,625</u>
Receipts over (under) expenditures	230,332	1,802,001		
Prior year canceled encumbrances	120,610	-		
Unencumbered cash, beginning of year	<u>1,253,168</u>	<u>1,604,110</u>		
Unencumbered cash, end of year	<u>\$ 1,604,110</u>	<u>\$ 3,406,111</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 DRIVERS EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Revenue from other local source	\$ -	\$ -	\$ -	\$ -
Total cash receipts	-	-	\$ -	\$ -
Expenditures and transfers subject to budget:				
Instruction	-	-	\$ -	\$ -
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	-	\$ -	\$ -
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	21,045	21,045		
Unencumbered cash, end of year	\$ 21,045	\$ 21,045		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FOOD SERVICE FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
School food assistance	\$ 7,814	\$ 8,030	\$ 8,719	\$ (689)
Federal aid:				
Federal child nutrition program	134,843	172,103	140,579	31,524
Charges for service	578,527	521,861	710,759	(188,898)
Miscellaneous	452	2,231	—	2,231
Total cash receipts	721,636	704,225	\$ 860,057	\$ (155,832)
Expenditures and transfers subject to budget:				
Operations and maintenance	—	—	\$ 106,000	\$ 106,000
Food service operations	647,212	732,484	825,000	92,516
Adjustment for qualifying budget credits:				
Reimbursements	—	—	—	—
Total expenditures and transfers subject to budget	647,212	732,484	\$ 931,000	\$ 198,516
Receipts over (under) expenditures	74,424	(28,259)		
Unencumbered cash, beginning of year	162,565	236,989		
Unencumbered cash, end of year	\$ 236,989	\$ 208,730		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PROFESSIONAL DEVELOPMENT FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Revenue from other local source	\$ -	\$ -	\$ -	\$ -
Total cash receipts	-	-	\$ -	\$ -
Expenditures and transfers subject to budget:				
Instructional support staff	12,860	1,326	\$ 30,000	\$ 28,674
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	12,860	1,326	\$ 30,000	\$ 28,674
Receipts over (under) expenditures	(12,860)	(1,326)		
Prior year canceled encumbrances	39	-		
Unencumbered cash, beginning of year	68,786	55,965		
Unencumbered cash, end of year	\$ 55,965	\$ 54,639		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PARENT EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		Variance - over (under)
		Actual	Budget	
Cash receipts:				
Transfers in:				
General fund	\$ 8,150	\$ -	\$ -	\$ -
Supplemental general fund	15,150	-	-	-
Total cash receipts	23,300	-	\$ -	\$ -
Expenditures and transfers subject to budget:				
Student support services	23,300	-	\$ -	\$ -
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	23,300	-	\$ -	\$ -
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral  
 part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUMMER SCHOOL FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
Supplemental general fund	\$ 82,061	\$ -	\$ -	\$ -
Total cash receipts	82,061	-	-	-
Expenditures and transfers subject to budget:				
Instruction	-	100	\$ 51,000	\$ 50,900
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	-	100	\$ 51,000	\$ 50,900
Receipts over (under) expenditures	82,061	(100)		
Unencumbered cash, beginning of year	-	82,061		
Unencumbered cash, end of year	\$ 82,061	\$ 81,961		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SPECIAL EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid	\$ -	\$ -	\$ 69,000	\$ (69,000)
Transfers in:				
General fund	1,241,574	1,677,208	1,201,000	476,208
Supplemental general fund	818,865	51,687	825,000	(773,313)
Reimbursed expenses	-	6,897	-	6,897
Total cash receipts	<u>2,060,439</u>	<u>1,735,792</u>	<u>\$ 2,095,000</u>	<u>\$ (359,208)</u>
Expenditures and transfers subject to budget:				
Instruction	1,980,389	1,742,986	\$ 2,202,500	\$ 459,514
Student transportation services	-	67	-	(67)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	6,897	6,897
Total expenditures and transfers subject to budget	<u>1,980,389</u>	<u>1,743,053</u>	<u>\$ 2,209,397</u>	<u>\$ 466,344</u>
Receipts over (under) expenditures	80,050	(7,261)		
Unencumbered cash, beginning of year	<u>934,094</u>	<u>1,014,144</u>		
Unencumbered cash, end of year	<u>\$ 1,014,144</u>	<u>\$ 1,006,883</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 VOCATIONAL EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ -	\$ 166,520	\$ -	\$ 166,520
Supplemental general fund	218,815	-	250,000	(250,000)
Total cash receipts	218,815	166,520	\$ 250,000	\$ (83,480)
Expenditures and transfers subject to budget:				
Instruction	319,840	288,615	\$ 452,500	\$ 163,885
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	319,840	288,615	\$ 452,500	\$ 163,885
Receipts over (under) expenditures	(101,025)	(122,095)		
Unencumbered cash, beginning of year	357,012	255,987		
Unencumbered cash, end of year	\$ 255,987	\$ 133,892		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 KPERS RETIREMENT CONTRIBUTION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
KPERS Contributions	\$ 499,417	\$ 497,062	\$ 579,324	\$ (82,262)
Total cash receipts	499,417	497,062	\$ 579,324	\$ (82,262)
Expenditures and transfers subject to budget:				
Instruction	318,128	244,374	\$ 375,000	\$ 130,626
Student support services	23,473	100,814	25,324	(75,490)
Instructional support staff	26,469	25,203	31,000	5,797
General administration	22,474	24,272	24,000	(272)
School administration	43,949	48,312	48,000	(312)
Central services	5,494	5,087	7,000	1,913
Operations and maintenance	46,945	49,010	49,000	(10)
Food service operations	12,485	-	20,000	20,000
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	499,417	497,072	\$ 579,324	\$ 82,252
Receipts over (under) expenditures	-	(10)		
Unencumbered cash, beginning of year	10	10		
Unencumbered cash, end of year	\$ 10	\$ -		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TEXTBOOK & STUDENT MATERIAL FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 105,246	\$ 172,253
Transfers in:		
Supplemental general fund	16,465	—
Total cash receipts	121,711	172,253
Expenditures:		
Instruction	145,753	88,955
Student activity	—	1,039
Total expenditures	145,753	89,994
Receipts over (under) expenditures	(24,042)	82,259
Prior year canceled encumbrances	18,170	55
Unencumbered cash, beginning of year	5,872	—
Unencumbered cash, end of year	\$ —	\$ 82,314

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CONTINGENCY RESERVE FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$ 17,545	\$ -
Total cash receipts	17,545	-
Expenditures:		
Instruction	-	-
Total expenditures	-	-
Receipts over (under) expenditures	17,545	-
Unencumbered cash, beginning of year	524,653	542,198
Unencumbered cash, end of year	\$ 542,198	\$ 542,198

\*This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FEDERAL FUNDS  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 56,564	\$ 86,965	\$ 66,514	\$ 20,451
Title II	30,287	33,427	32,079	1,348
Title IV Drug free	2,920	2,995	2,993	2
Total cash receipts	<u>89,771</u>	<u>123,387</u>	<u>\$ 101,586</u>	<u>\$ 21,801</u>
Expenditures and transfers subject to budget:				
Instruction	85,704	127,454	\$ 101,586	\$ (25,868)
Adjustment for qualifying budget credits:				
Federal funds received in excess of budget	-	-	21,801	21,801
Other	<u>-</u>	<u>-</u>	<u>4,067</u>	<u>4,067</u>
Total expenditures and transfers subject to budget	<u>85,704</u>	<u>127,454</u>	<u>\$ 127,454</u>	<u>\$ -</u>
Receipts over (under) expenditures	4,067	(4,067)		
Unencumbered cash, beginning of year	<u>-</u>	<u>4,067</u>		
Unencumbered cash, end of year	<u>\$ 4,067</u>	<u>\$ -</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 GIFT AND GRANT FUND \*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Revenue from other local source	\$ 2,000	\$ 1,501,000
Total cash receipts	2,000	1,501,000
Expenditures:		
Community services	-	30,000
Total expenditures	-	30,000
Receipts over (under) expenditures	2,000	1,471,000
Unencumbered cash, beginning of year	-	2,000
Unencumbered cash, end of year	\$ 2,000	\$ 1,473,000

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 OTHER GRANT FUNDS \*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Truancy grant	\$ 30,282	\$ 30,282
Total cash receipts	30,282	30,282
Expenditures:		
Instructional support services	24,867	24,259
Total expenditures	24,867	24,259
Receipts over (under) expenditures	5,415	6,023
Unencumbered cash, beginning of year	12,053	17,468
Unencumbered cash, end of year	\$ 17,468	\$ 23,491

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 BOND & INTEREST FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 17,587	\$ 315,740	\$ 571,286	\$ (255,546)
Ad valorem property - current taxes	1,124,865	1,248,990	1,266,808	(17,818)
Delinquent	14,644	86,285	58,987	27,298
Motor vehicle	64,779	94,885	139,943	(45,058)
Recreational vehicle	370	502	664	(162)
State aid:				
Investment income	150,000	-	-	-
Transfers in:				
Capital projects fund	-	50,000	-	50,000
 Total cash receipts	 1,372,245	 1,796,402	 \$ 2,037,688	 \$ (241,286)
 Expenditures and transfers subject to budget:				
Principal	610,000	200,000	\$ 200,000	\$ -
Interest	728,649	1,403,597	1,403,599	2
Fiscal charges	-	-	-	-
 Total expenditures and transfers subject to budget	 1,338,649	 1,603,597	 \$ 1,603,599	 \$ 2
 Receipts over (under) expenditures	 33,596	 192,805		
 Unencumbered cash, beginning of year	 865,743	 899,339		
 Unencumbered cash, end of year	 \$ 899,339	 \$ 1,092,144		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CAPITAL PROJECTS FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Proceeds from bond issuance	\$ 6,870,119	\$ -
Interest on idle funds	166,117	24,529
Miscellaneous	8,137,028	133,555
	<hr/>	<hr/>
Total cash receipts	15,173,264	158,084
	<hr/>	<hr/>
Expenditures:		
Instruction	836,802	107,546
Facility acquisition and construction	18,422,049	9,629,625
Fund transfers	-	50,000
	<hr/>	<hr/>
Total expenditures	19,258,851	9,787,171
	<hr/>	<hr/>
Receipts over (under) expenditures	(4,085,587)	(9,629,087)
Prior year canceled encumbrances	105	72,710
Unencumbered cash, beginning of year	14,064,196	9,978,714
	<hr/>	<hr/>
Unencumbered cash, end of year	\$ 9,978,714	\$ 422,337
	<hr/>	<hr/>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TRUST FUNDS\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Interest	\$ 3,149	\$ 2,072
Total cash receipts	<u>3,149</u>	<u>2,072</u>
Expenditures:		
Scholarships	<u>2,626</u>	<u>2,625</u>
Total expenditures	<u>2,626</u>	<u>2,625</u>
Receipts over (under) expenditures	523	(553)
Unencumbered cash, beginning of year	<u>112,802</u>	<u>113,325</u>
Unencumbered cash, end of year	<u><u>\$ 113,325</u></u>	<u><u>\$ 112,772</u></u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

## AGENCY FUNDS

Year ended June 30, 2010

	Beginning cash balance	Adjustments	Cash receipts	Cash disbursements	Ending cash balance
Piper High School:					
Artvarks club	\$ 37	\$ -	\$ -	\$ -	\$ 37
Baseball club	1,313	-	-	-	1,313
Boys basketball	90	-	-	-	90
Cheerleaders	2,064	-	4,678	5,505	1,237
Diversity club	1,684	-	99	600	1,183
Business professionals	188	-	-	-	188
CADD	241	-	-	-	241
Dance squad	497	-	8,386	6,843	2,040
Track display	130	-	-	-	130
Track	1,131	-	2,080	2,173	1,038
Football	5,692	-	26,589	17,191	15,090
Robotics club	9,251	-	5,096	8,164	6,183
Ecology club	43	-	-	-	43
Swimming	844	-	953	911	886
Cross country	40	-	-	-	40
Tri-M Society	180	-	682	207	655
Drama club	125	-	2,974	3,095	4
SADD	146	-	-	-	146
PHS emergency assistance	2,765	-	462	535	2,692
Student council	2,702	-	5,758	6,075	2,385
Wrestling	2,126	-	1,160	2,239	1,047
Girls basketball	459	-	-	-	459
Volleyball	1,705	-	1,032	1,168	1,569
Soccer	579	-	1,716	1,084	1,211
Weightroom	3,021	-	2,470	1,410	4,081
Weightlifting club	94	-	-	-	94
Boys golf	(26)	-	290	312	(48)
Spanish club	189	-	-	-	189
KEY club	1,275	-	1,640	1,489	1,426
PGAA	782	-	-	100	682
FCCLA	290	-	-	-	290
Softball	441	-	-	-	441
Girls golf	(109)	-	109	-	-
8th grade class	-	-	400	283	117
Freshman class	1	-	-	-	1
Junior class	-	-	8,581	7,081	1,500
Senior class	3,116	-	1,648	3,173	1,591
GAF	3,233	-	18,226	21,008	451
Auction	23,747	-	27,367	19,081	32,033
Substance abuse	750	-	-	-	750
Senior citizenship award	1,205	-	380	-	1,585
Apple computer grant	385	-	-	368	17
Pepsi Promotion	251	-	1,317	1,568	-
Coke fund	-	-	1,571	790	781
Publications	16,203	-	35,744	45,018	6,929
Tyler Jobe memorial scholarship	1,398	-	1,832	500	2,730
Steven Dickson scholarship	18,146	-	258	18,404	-
Pirate performance	-	-	17,567	8,816	8,751
Subtotal Piper High School	108,424	-	181,065	185,191	104,298

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL  
 AGENCY FUNDS  
 Year ended June 30, 2010

	Beginning cash balance	Adjustments	Cash receipts	Cash disbursements	Ending cash balance
<b>Piper Middle School:</b>					
Music	90	-	-	-	90
Drama	776	-	549	628	697
Piper honor organization	1,137	-	224	760	601
Student council	3,826	-	1,747	1,487	4,086
Yearbook	1,877	-	6,142	6,575	1,444
Student services	3,841	-	6,734	3,460	7,115
Grant funds	2,640	-	-	108	2,532
Business partnership	427	-	-	-	427
School store	687	-	-	-	687
Student incentives	5,665	-	5,020	5,394	5,291
Subtotal Piper Middle School	20,966	-	20,416	18,412	22,970
<b>Piper Elementary East:</b>					
Yearbook	1,793	(1,793)	-	-	-
PTA	19	(19)	-	-	-
OWL grant	1,634	(1,634)	-	-	-
General activity account	4,204	(4,204)	-	-	-
Pop	1,750	(1,750)	-	-	-
Media center	3,196	(3,196)	-	-	-
Subtotal Piper Elementary East	12,596	(12,596)	-	-	-
<b>Piper Elementary West:</b>					
General activity fund	5,708	(5,708)	-	-	-
Interest	2,599	(2,599)	-	-	-
Kindergarten	17	(17)	-	-	-
Playground equipment	1,976	(1,976)	-	-	-
Guided reading	261	(261)	-	-	-
Bike rodeo	330	(330)	-	-	-
Field trips	(129)	129	-	-	-
Assemblies	171	(171)	-	-	-
Wal-mart donation	869	(869)	-	-	-
CLC grant	385	(385)	-	-	-
MAST	100	(100)	-	-	-
PTA donations	(390)	390	-	-	-
Yearbook	4,753	(4,753)	-	-	-
Coke fund	341	(341)	-	-	-
PCEA grants	188	(188)	-	-	-
Teacher award grant	713	(713)	-	-	-
Subtotal Piper Elementary West	17,892	(17,892)	-	-	-

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

## AGENCY FUNDS

Year ended June 30, 2010

	Beginning cash balance	Adjustments	Cash receipts	Cash disbursements	Ending cash balance
Piper Elementary School:					
General activity fund	—	25,401	10,191	22,317	13,275
Art	—	—	1,425	647	778
Yearbook	—	6,000	13,085	11,259	7,826
Subtotal Piper Elementary School	—	31,401	24,701	34,223	21,879
Total student activity funds	\$ 159,878	\$ 913	\$ 226,182	\$ 237,826	\$ 149,147
Faculty funds:					
Piper High School	\$ —	\$ —	\$ —	\$ —	\$ —
Piper Middle School	—	—	—	—	—
Piper Elementary East	—	—	—	—	—
Piper Elementary West	—	—	—	—	—
Total faculty funds	\$ —	\$ —	\$ —	\$ —	\$ —
SUMMARY:					
Student activity funds	\$ 159,878	\$ 913	\$ 226,182	\$ 237,826	\$ 149,147
Faculty funds	—	—	—	—	—
Fees and user charges	50,461	(3,962)	66,182	111,472	1,209
Sales Tax	5,368	—	13,033	11,952	6,449
Flex spending	—	—	34,329	25,927	8,402
Total agency funds	\$ 215,707	\$ (3,049)	\$ 339,726	\$ 387,177	\$ 165,207

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
DISTRICT ACTIVITY FUNDS  
Year ended June 30, 2010

	Beginning unencumbered cash balance	Adjustments	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Gate receipts:							
High school athletics	\$ (5,080)	\$ -	\$ 64,725	\$ 60,401	\$ (756)	\$ -	\$ (756)
Middle school athletics	2,377	-	9,480	6,029	5,828	-	5,828
Subtotal gate receipts	(2,703)	-	74,205	66,430	5,072	-	5,072
School projects:							
Book fair	3,451	3,049	4,779	4,820	6,459	-	6,459
Library	3,227	-	5,273	4,995	3,505	-	3,505
Drama	170	-	-	-	170	-	170
Band	390	-	-	-	390	-	390
Vocal music	268	-	2,886	2,338	816	-	816
Language arts	24	-	-	-	24	-	24
Music N Motion	132	-	912	-	1,044	-	1,044
Belle Voce	202	-	351	-	553	-	553
Drafting	260	-	479	289	450	-	450
District	695	-	4,385	5,929	(849)	-	(849)
Calculator rental	-	-	60	-	60	-	60
Vending	-	-	1,047	-	1,047	-	1,047
Art	22	-	-	-	22	-	22
Subtotal school projects	8,841	3,049	20,172	18,371	13,691	-	13,691
Total district activities	\$ 6,138	\$ 3,049	\$ 94,377	\$ 84,801	\$ 18,763	\$ -	\$ 18,763

The accompanying notes are an integral part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2010

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 203, Kansas City, Kansas, ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 203, Kansas City, Kansas, (the primary government). There are no component units.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2010:

General fund	\$ 226,405
Supplemental general fund	\$ 900
Special education fund	\$ 6,897

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

c. Basis of accounting

1. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts and certificates of deposit.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.

1. Governmental funds (continued)

- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt.
- d. Capital projects funds - to account for the activities for the acquisition or construction of major capital facilities.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

g. Prior year partial comparative information

The financial statements include prior year partial comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which such partial information was derived.

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- 1. Preparation of the budget for the succeeding year on or before August 1st.
- 2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
- 3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 4. Adoption of the final budget on or before August 25th.

The statutes allow for the District to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

a. Budgetary information (continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds.

- Textbook & student material fund
- Contingency reserve fund
- Gift and grant fund
- Other grant funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the District.

b. Compliance with finance-related legal and contractual provisions

The General Fund showed negative ending unencumbered cash balances of \$605,994 and \$1,022,792 for the years ended June 30, 2010 and 2009, respectively. K.S.A. 10-1116a provides that under certain situations, the funds can end the year with negative unencumbered cash balances and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the years ending June 30, 2010 and 2009.

See Note 10 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

During September 2009, bank deposits were undersecured at Security Bank of Kansas City (K.S.A. 9-1402).

Management is aware of no other statutory violations for the period covered by the audit.

### 3. Deposits and investments

As of June 30, 2010, the District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investment are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$8,961,262 and the bank balance was \$10,704,495. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remaining \$10,204,495 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

#### 4. Long-term debt

Proceeds from the sale of the Series 1998-A General Obligation Bonds were used to establish an escrow account for the payment of interest on the bonds through September 1, 2001, and to redeem on September 1, 2001 a portion of the principal of the District's outstanding General Obligation Refunding and Improvement Bonds, Series 1992, maturing September 1, 2002, and thereafter. This refunding plan was undertaken in order to achieve interest cost savings and shorten the length of the District's debt. Only a portion of each annual maturity of the outstanding Series 1992 Bonds maturing in 2002 thru 2008 was refunded. All Series 1992 Bonds maturing in 2009 thru 2013 were refunded. The total amount of Series 1992 Bonds refunded by this bond issuance was \$4,315,000.

Proceeds from the sale of the Series 2002-A General Obligation Bonds were used to refund a portion of the District's outstanding General Obligation Refunding Bonds, Series 1992. This refunding plan was undertaken in order to achieve interest cost savings and to restructure the District's debt. As noted above, only a portion of the Series 1992 Bonds maturing in 2002 thru 2008 was refunded by the 1998-A Bonds. The remaining \$1,580,000 of the Series 1992 Bonds maturing in 2002 thru 2008 was refunded by the Series 2002-A Bonds.

On November 6, 2007, voters in the District authorized the issuance of up to \$29.9 million of general obligation bonds to fund a wide variety of improvements throughout the District. The projects included the construction of a new elementary school, the renovation of Piper High School, and security and technology upgrades throughout the District. The issuance of bonds was made in three different series consisting of Series 2008-A, 2008-B, and 2009-A.

The District entered into two lease purchase agreements to pay for the costs of acquiring, constructing, and installing energy conservation measures in the buildings and on the property owned by the District. The first agreement was signed in June 2008 for the amount of \$4,890,000. The second agreement was signed in January 2009 for \$2,674,000.

See the following page for more information related to the District's long term debt and capital lease obligations.

4. Long-term debt (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
<u>General obligation bonds:</u>									
Series 2008A	3.38-5.00%	Feb. 2008	\$ 14,980,000	Sept. 2028	\$ 14,980,000	\$ -	\$ -	\$ 14,980,000	\$ 620,959
Series 2008B	3.50-5.50%	Dec. 2008	\$ 9,825,000	Sept. 2028	9,825,000	-	(200,000)	9,625,000	554,231
Series 2009A	3.00-4.30%	April 2009	\$ 7,000,000	Sept. 2028	7,000,000	-	-	7,000,000	228,407
<u>Capital leases:</u>									
Energy lease	5.04%	June 2008	\$ 4,890,000	Sept 2028	4,869,708	-	(151,579)	4,718,129	243,547
Energy lease	5.85%	Jan. 2009	\$ 2,674,000	March 2029	2,674,000	-	(60,681)	2,613,319	169,008
Total long-term debt			\$ 39,348,708		\$ -	\$ -	\$ (412,260)	\$ 38,936,448	\$ 1,816,152

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Year ended June 30,									
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	Total
<u>Principal:</u>									
G.O. Bonds:									
Series 2008A	\$ -	\$ 75,000	\$ 250,000	\$ 365,000	\$ 455,000	\$ 3,730,000	\$ 5,130,000	\$ 4,975,000	\$ 14,980,000
Series 2008B	380,000	525,000	425,000	325,000	350,000	2,155,000	2,150,000	3,315,000	9,625,000
Series 2009A	-	-	125,000	265,000	320,000	1,835,000	2,235,000	2,220,000	7,000,000
<u>Capital leases:</u>									
Energy lease	159,314	167,445	175,991	184,972	194,412	1,131,413	1,451,132	1,253,450	4,718,129
Energy lease	77,906	82,531	87,430	92,621	98,119	585,203	780,796	808,713	2,613,319
Total principal	617,220	849,976	1,063,421	1,232,593	1,417,531	9,436,616	11,746,928	12,572,163	38,936,448
<u>Interest:</u>									
G.O. Bonds:									
Series 2008A	620,959	619,693	614,209	603,831	589,993	2,562,680	1,586,978	433,516	7,631,859
Series 2008B	446,275	430,438	413,813	400,688	388,438	1,696,587	1,118,387	307,312	5,201,938
Series 2009A	260,210	260,210	258,179	251,841	242,335	1,050,035	694,364	194,011	3,211,185
<u>Capital leases:</u>									
Energy lease	235,811	227,681	219,135	210,154	200,713	844,216	524,497	129,491	2,591,698
Energy lease	151,783	147,158	142,259	137,068	131,570	563,243	367,650	110,044	1,750,775
Total interest	1,715,038	1,685,180	1,647,595	1,603,582	1,553,049	6,716,761	4,291,876	1,174,374	20,387,455
Total principal and interest	\$ 2,332,258	\$ 2,535,156	\$ 2,711,016	\$ 2,836,175	\$ 2,970,580	\$ 16,153,377	\$ 16,038,804	\$ 13,746,537	\$ 59,323,903

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At-Risk (K-12)	K.S.A. 72-6428	\$ 340,000
General Fund	Capital Outlay	K.S.A. 72-6428	495,866
General Fund	Special Education	K.S.A. 72-6428	1,677,208
General Fund	Vocational Education	K.S.A. 72-6428	<u>166,520</u>
Total general fund transfers			<u>2,679,594</u>
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	<u>51,687</u>
Total supplemental general fund transfers			<u>51,687</u>
Capital			
Projects Fund	Bond and Interest	K.S.A. 10-132	<u>50,000</u>
Total capital projects fund transfers			<u>50,000</u>
Total interfund transfers			<u><u>\$ 2,781,281</u></u>



## 6. Commitments

The District has the following lease agreements:

- a. Noncancelable operating lease - The District entered into a lease agreement with Konica Minolta in November 2007 for copiers and related equipment. This operating lease terminated the prior agreement with Xerox six months prior to the end of the original lease period. The lease period is for 60 months and requires total monthly payments of \$3,131.
- b. Noncancelable operating lease - The District entered into a lease agreement with Konica Minolta in July 2009 for a copier. The lease period is for 36 months and requires total monthly payments of \$755.
- c. Noncancelable operating lease - The District entered into a lease agreement with Pitney Bowes in November 2009 for a postage meter. The lease period is for 48 months and requires total quarterly payments of \$345.
- d. Future minimum rental payments required under the non-cancelable operating leases as of June 30, 2010 are as follows:

2011	\$	48,010
2012		48,010
2013		13,905
2014		<u>12,525</u>
Total	\$	<u>122,450</u>

## 7. Capital projects

As of June 30, 2010, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Expenditures to date	Project authorizations
School improvements (see footnote 4)	\$ 29,980,115	\$ 30,402,452

## 8. Defined benefit plan

### 1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

8. Defined benefit plan (continued)

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes an average of 7.97% of covered payroll for fiscal year 2009, and an average of 8.57% of covered payroll for fiscal year 2010. In addition, if a KPERS retiree who retired from a different KPERS employer is hired by the District, the contribution rate is 15.95% for 2009.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154 respectively, equal to the statutory required contributions for each year.

9. Compensated absences

Accumulated vacation and sick leave paid during the current year are shown as an expenditure in the General Fund.

District policy requires the cancellation of accumulated sick leave upon termination of employment. Upon retirement, teachers who have a minimum of ten (10) years of service may be paid 90% of the substitute teacher rate at the time for the first 50 days of accumulated sick leave and 100% of the substitute teacher rate for 51-100 days of accumulated sick leave. If a teacher has eight (8) years of service and has accumulated sick leave of at least 66 days, the teacher may request by June 15 each year to be paid for any days accumulated over 65 at 90% of the substitute teacher rate in effect at the time.

Classified employee retirement after a minimum of ten (10) years of service may be paid at 30% of the daily rate for the first 50 days of accumulated sick leave and 35% of the daily rate for 51-100 days of accumulated sick leave. If a classified employee has five (5) years of service and has accumulated at least 66 days of sick leave, the employee may request by June 15 each year to be paid for any days over 65 at 30% of the daily rate of pay in effect at that time.

The financial statements for the years ended June 30, 2010 and 2009 are prepared in accordance with the cash basis and budget laws of the State of Kansas. Therefore, no liability is recorded for unpaid vacation and sick leave.

10. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2010  
GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 64,931	\$ 628,533	\$ 1,099,322	\$ (470,789)
Ad valorem property - current taxes	2,283,146	2,451,381	2,685,937	(234,556)
Delinquent	69,837	282,804	117,631	165,173
State aid:				
Equalization aid	5,674,429	4,838,651	4,511,145	327,506
Special education services	1,285,790	1,177,208	1,200,959	(23,751)
Federal aid:				
ARRA stabilization	-	402,334	402,334	-
Reimbursed expenses	224,768	226,405	-	226,405
Total statutory revenues	9,602,901	10,007,316	\$10,017,328	\$ (10,012)
Expenditures:				
Instruction	5,498,171	4,010,747	\$ 5,438,672	\$ 1,427,925
Student support services	1,930	164,545	367,610	203,065
Instructional support staff	23,815	235,005	328,810	93,805
General administration	252,805	368,659	481,340	112,681
School administration	920,108	733,636	903,850	170,214
Central services	23,014	30,601	-	(30,601)
Operations and maintenance	966,985	1,131,747	1,246,046	114,299
Student transportation services	606,997	649,667	-	(649,667)
Other support services	1,250	3,115	-	(3,115)
Transfers out	1,308,580	2,679,594	1,251,000	(1,428,594)
Adjustment to comply with legal max	-	-	(236,417)	(236,417)
Legal general fund budget	9,603,655	10,007,316	9,780,911	(226,405)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	226,405	226,405
Total expenditures	9,603,655	10,007,316	\$10,007,316	\$ -
Statutory revenue over (under) expenditures	(754)	-		
Prior year canceled encumbrances	754	-		
Modified unencumbered cash, beginning of year	-	-		
Modified unencumbered cash, end of year	\$ -	\$ -		

10. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2010  
SUPPLEMENTAL GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 55,318	\$ (277,411)	\$ 2,884	\$ (280,295)
Ad valorem property - current taxes	2,295,786	3,246,502	2,811,136	435,366
Delinquent	50,258	212,592	84,319	128,273
Motor vehicle	217,037	232,820	201,639	31,181
Recreational vehicle	1,244	1,340	955	385
State aid:				
Equalization aid	-	-	-	-
Reimbursements	-	900	-	900
Total statutory revenues	<u>2,619,643</u>	<u>3,416,743</u>	<u>\$ 3,100,933</u>	<u>\$ 315,810</u>
Expenditures:				
Instruction	37,791	1,293,226	\$ 201,783	\$ (1,091,443)
Student support services	368,057	134,677	32,000	(102,677)
Instructional support staff	336,369	107,351	21,500	(85,851)
General administration	206,686	164,745	-	(164,745)
School administration	-	176,591	-	(176,591)
Central services	197,587	253,853	-	(253,853)
Operations and maintenance	198,063	860,258	904,703	44,445
Student transportation services	-	-	739,000	739,000
Other support services	184,236	124,006	-	(124,006)
Transfers out	1,213,396	51,687	1,266,508	1,214,821
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	2,742,185	3,166,394	3,165,494	(900)
Adjustment for qualifying budget credits				
Reimbursements	-	-	900	900
Total expenditures	<u>2,742,185</u>	<u>3,166,394</u>	<u>\$ 3,166,394</u>	<u>\$ -</u>
Statutory revenues over (under) expenditures	(122,542)	250,349		
Modified unencumbered cash, beginning of year	<u>367,533</u>	<u>244,991</u>		
Modified unencumbered cash, end of year	<u>\$ 244,991</u>	<u>\$ 495,340</u>		

**ADDITIONAL INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*

Year ended June 30, 2010

Federal Grantor/pass-through grantor/program title (pass-through number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Education</u>								
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to local education agencies (DO203 3532-3520 3520)	84.010	\$ 66,264	\$ -	\$ 66,264	\$ 66,264	\$ -	\$ 404	\$ 404
Title I grants to local education agencies, Recovery Act (DO203 3532-3525 3525)	84.389	20,701	-	20,701	20,701	-	-	-
Subtotal Title I, part A cluster		86,965	-	86,965	86,965	-	404	404
Safe and drug-free schools and communities (DO203 3795-3100 3100)	84.186	2,995	-	2,995	2,995	-	-	-
Educational technology state grants cluster:								
Education technology state grants (DO203 3233-3040 3040 9962)	84.318	574	541	574	1,115	-	-	-
Education technology state grants, Recovery Act (DO203 3233-3044 3044 9964)	84.386	1,412	-	1,412	1,412	-	-	-
Subtotal Educational technology state grants cluster		1,986	541	1,986	2,527	-	-	-
Improving teacher quality state grants (DO203 3526-3860 3860)	84.367	31,441	3,526	31,441	34,967	-	-	-
Statewide data systems (DO203 3592-3070 N083)	84.372	800	-	800	800	-	-	-
State fiscal stabilization fund - education state grants, Recovery Act (DO203 S394A090017)	84.394	402,334	-	402,334	402,334	-	-	-
Total U.S. Department of Education		526,521	4,067	526,521	530,588	-	404	404

<u>U.S. Department of Agriculture</u>								
Passed through Kansas Department of Education:								
National school lunch program (DO203 3530-3500 3500 9902/9912)	10.555	171,103	-	171,103	171,103	-	-	-
State administrative expenses for child nutrition (DO203 3230-3020 R201)	10.560	1,000	-	1,000	1,000	-	-	-
Total U.S. Department of Agriculture		172,103	-	172,103	172,103	-	-	-

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*  
Year ended June 30, 2010

Federal Grantor/pass-through grantor/program title (pass-through number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Homeland Security</u>								
Passed through Kansas Department of Education:								
School preparedness grant (D0203 3056-3200 U875)	97.042	1,000	-	1,000	1,000	-	-	-
Total U.S. Department of Homeland Security		1,000	-	1,000	1,000	-	-	-
Total federal assistance		\$ 699,624	\$ 4,067	\$ 699,624	\$ 703,691	\$ -	\$ 404	\$ 404

\*Note 1 on page 45 is an integral part of this Schedule of Expenditures of Federal Awards.

UNIFIED SCHOOL DISTRICT NO. 203, KANSAS CITY, KANSAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2010

1. Basis of accounting

a. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of this schedule of expenditures of federal awards, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.



## COMPLIANCE SECTION



# Kramer & Associates CPAs, LLC

*Making the right move for your business*

Tony Kramer, CPA  
Joseph J. Wood, CPA  
Deb Taylor, CPA  
Megan Todd, CPA  
Amy Schwinn, CPA  
Sherrie Hodges, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS,  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas

We have audited the financial statements of Unified School District No. 203, (the "District"), Kansas City, Kansas, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 7, 2011. Those financial statements were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 203, Kansas City, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses in internal control over financial reporting (2010-2 and 2010-3).

We identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the U.S. Department of Homeland Security, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*KRAMER & ASSOCIATES CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
March 7, 2011



# Kramer & Associates CPAs, LLC

*Making the right move for your business*

Tony Kramer, CPA  
Joseph J. Wood, CPA  
Deb Taylor, CPA  
Megan Todd, CPA  
Amy Schwinn, CPA  
Sherrie Hodges, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Unified School District No. 203,  
Kansas City, Kansas  
Compliance

We have audited the compliance of Unified School District No. 203, (the "District"), Kansas City, Kansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, the U.S. Department of Education, the U.S. Department of Agriculture, the U.S. Department of Homeland Security, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Kramer & Associates CPAs, L.L.C.*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
March 7, 2011

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2010

A. Summary of Audit Results

1. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 203, Kansas City, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. One significant deficiency and two material weaknesses were disclosed during the audit of the financial statements and is reported in the Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Unified School District No. 203, Kansas City, Kansas were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards programs disclosed during the audit are being reported. No deficiencies considered to be material weaknesses in internal control over major programs were identified.
5. The Independent Auditors' report on compliance for each major federal awards program for Unified School District No. 203, Kansas City, Kansas, expresses an unqualified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:

United States Department of Education

CFDA No.	Title
84.394	State Fiscal Stabilization Fund Education Grants, Recovery Funds

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 203, Kansas City, Kansas, was not determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

2010-1 Significant deficiency: Segregation of duties

<i>Criteria</i>	No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.
<i>Condition</i>	The District does not have complete segregation of duties with respect to financial transactions and reporting.
<i>Cause</i>	The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.
<i>Recommendation</i>	The District should take steps to have as many financial transactions as possible independently reviewed.
<i>Management's Response</i>	Adjustments of accounting personnel duties have been made and implemented to eliminate single person adjustments to District accounts. Duties are segregated into accounts payable, payroll, and bank reconciliation functions. Processes implemented include bank reconciliation clerk documenting accounting adjustments to be made as a result of banking fees, interest earned, collection of returned checks, etc. The accounts payable clerk makes the documented entries into the accounting system. All documentation is filed for audit purposes.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2010

**2010-2 Material weakness: Design on Internal Control over the Preparation of Accounting Information**

<i>Criteria</i>	The District should maintain effective control over the preparation and review of financial reports.
<i>Condition</i>	The District has not maintained effective control over the preparation and review of financial reports. The year-end financial reports that management prepared and presented to us to audit contained a number of errors, inconsistencies, and omissions.
<i>Cause</i>	This, in part, was due to various payroll and accounting entries made into the accounting system that were either entered in the wrong accounts or the transaction type was not setup correctly. Another reason for the inaccuracies was the lack of training and software support provided to the individuals performing the accounting and payroll functions.
<i>Effect</i>	This resulted in adjustments, including audit adjustments, to the financial reports. Inaccuracies, such as those described, can result in a reduction of state aid and reporting of incorrect amounts to the state in the submitted budget document.
<i>Recommendation</i>	Our recommendation is to locate continuing education and training opportunities and to encourage the accounting staff to attend seminars and training to help them keep up to date with software changes and with changing laws and regulations as they pertain to accounting and payroll. We further recommend management review the accounting records on a monthly basis.
<i>Management's Response</i>	Management will collaborate with the CPA firm to identify and attend seminars and trainings that relate to statutory and regulatory changes or Data Team's software changes and/or updates. The Board of Education will review and act on bank reconciliations and cash summary records monthly as an independent action item during regular business meetings.

**2010-3 Material weakness: Review of Bank Reconciliations**

<i>Criteria</i>	Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.
<i>Condition</i>	During much of the year, the operating bank account reconciliations appeared to be generally incomplete. Specifically, they contained unreconciled differences.
<i>Cause</i>	It appears that the differences stem from the accounting for payroll expenditures and the timing of when and how they are disbursed and posted.
<i>Effect</i>	An unreconciled difference can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2010

2010-3 Material weakness: Review of Bank Reconciliations (continued)

<i>Recommendation</i>	We recommend that reconciliations be reviewed for accuracy and completeness on a timely basis by someone other than the preparer. We further recommend that the review take place within one week of the completion of the bank reconciliation and include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any entries deemed necessary as a result, be recorded. In addition, we recommend that any differences noted by corrected in a timely manner and that personnel take steps to make sure the differences do not occur again.
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<i>Management's Response</i>	The Board of Education will review and act on bank reconciliations and cash summary records monthly as an independent action item during regular business meetings.
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C. Findings and questioned costs - Major Federal Awards Programs Audit

None.

UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2010

**Findings - Financial Statement Audit**

**2009-1 Significant deficiency: Segregation of Duties**

**Criteria:** No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.

**Condition:** The District does not have complete segregation of duties with respect to financial transactions and reporting.

**Cause:** The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.

**Effect:** Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected.

**Recommendation:** The District should take steps to have as many financial transactions as possible independently reviewed.

**Status of Finding:** The District has taken steps to have transactions independently reviewed. However, the condition still remains and is reported in the schedule of findings and questioned costs as finding number 2010-1.

**2009-2: Material weakness: Design of Internal Control over the Preparation of Accounting Information**

**Criteria:** The District should maintain effective control over the preparation and review of financial reports.

**Condition:** The District has not maintained effective control over the preparation and review of financial reports. The year-end financial reports that management prepared and presented to us to audit contained a number of errors, inconsistencies, and omissions.

**Cause:** This, in part, was due to various payroll and accounting entries made into the accounting system that were either entered into the wrong accounts or the transaction type was not setup correctly. Another reason for the inaccuracies was the lack of training and software support provided to the individuals performing the accounting and payroll functions.

**Effect:** This resulted in adjustments, including audit adjustments, to the financial reports. Inaccuracies, such as those described above, can result in a reduction of state aid and the reporting of incorrect amounts to the state in the submitted budget document.

**Recommendation:** Our recommendation is to locate continuing education and training opportunities and to encourage the accounting staff to attend seminars and training to help them keep up to date with software changes and with changing laws and regulations as they pertain to accounting and payroll. We further recommend management review the accounting records on a monthly basis.

**Status of Finding:** This finding was not resolved as of the end of the year being audited and is reported as finding 2010-2.



UNIFIED SCHOOL DISTRICT NO. 203,  
KANSAS CITY, KANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2010

**2009-3: Material weakness: Review of Bank Reconciliations**

**Criteria:** Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

**Condition:** During much of the year, the operating bank account reconciliations appeared to be generally incomplete. Specifically, they contained unreconciled differences.

**Cause:** It appears that the differences stem from the accounting for payroll expenditures and the timing of when and how they are disbursed and posted.

**Effect:** An unreconciled difference can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent.

**Recommendation:** We recommend that reconciliations be reviewed for accuracy and completeness on a timely basis by someone other than the preparer. We further recommend that the review take place within one week of the completion of the bank reconciliation and include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any entries deemed necessary as a result, be recorded. In addition, we recommend that any differences noted be corrected in a timely manner and that personnel take steps to make sure the differences do not occur again.

**Status of Finding:** This finding was not resolved as of the end of the year being audited and is reported as finding 2010-3.

**Findings - Major Federal Award Programs Audit**

None.